

We will cultivate human resources and strengthen our business portfolio to enhance the quality of our business

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01 —

Toho Titanium's corporate culture and strengths

We value a corporate culture that takes on challenges and strives to improve the Group's capabilities to achieve our long-term vision

The Toho Titanium Group is a materials manufacturer with 72 years of history since its founding in 1953.

At the time of its founding, the Company established its base in Chigasaki City, Kanagawa Prefecture, where it began the production of titanium sponge and focused on expanding its Titanium Business. Our group, which was just one of the regional companies, has expanded its business domain over the past 20 years to become a global company with offices in Japan and overseas. There have been major changes in the mindset of employees, and a vibrant corporate culture full of a spirit of challenge is taking root.

Leveraging the technology and raw material potential that we have cultivated through the process of smelting titanium, the Company has launched the Catalyst and Chemicals Businesses. Together with its original Titanium Business, it now operates 3 businesses.

By diversifying into multiple businesses, we have achieved a stable revenue base even in a rapidly changing business environment, as each business complements the others.

In FY2021, we were able to offset the slump in the Titanium Business due to a sharp decline in aircraft demand during the COVID-19 pandemic with strong performance in the Catalyst and Chemicals Businesses. The strong performance of these 2 businesses was supported by increased demand for medical and hygiene products such as masks, as well as personal computers and electrical appliances due to stay-at-home activities.

In FY2023, although the Catalyst and Chemicals Businesses experienced sluggish performance due to the end of the COVID-19 pandemic, the Titanium Business performed well due to a recovery in aircraft demand, which offset the decline in earnings. Our business portfolio, which produces a conglomerate premium effect, is also a product of our corporate culture of challenging ourselves. Furthermore, the corporate culture of taking on challenges also functions in research and development to create new value. In management, a balance is required to achieve short-term profits while also looking ahead to future growth. Our Group's policy is to invest a certain amount of management resources in research and development for the future, even if the immediate business environment changes drastically. Furthermore, in order to raise the conglomerate premium, it is essential to establish a new pillar of earnings, and to achieve this, we believe that continuous investment in research and development is essential.

In our daily management, we have set the goal of "Creating advanced materials and technologies, becoming a highly profitable company that is flexible to environmental

changes, and contributing to the development of a highly recycling-oriented society" and we are promoting various measures, viewing "Vision for 2030" as our long-term vision. In order to realize this vision, it is essential to steadily promote our strategy, and we urgently need to improve our capabilities as a Group. In order to implement the necessary measures, we recognize that it is important to upgrade the capabilities of the entire company, from executives to frontline employees.

02 —

Current business environment and achievements over the year

Year of dealing with the effects of China's economic slowdown

Since exports account for the majority of net sales in our Group, we cannot take our eyes off global trends. Looking at the current international situation, the movement toward bloc-based divisions seems to be intensifying on both the economic and security fronts, such as the reinstatement of nationalism, the Russia-Ukraine conflict, and changes in the situation in the Middle East.

Of course, trade policy in the United States requires close attention, but at present we do not anticipate any serious impact on our mainstay titanium products. Catalyst products may be affected, but the direct impact on corporate earnings is expected to be limited, partly because passing on cost increases to prices is already underway.

As our Group has a joint venture in Saudi Arabia, conflicts in the Middle East are recognized as one of the important risks in the Titanium Business, and we continue to monitor them closely.

Changes in the business environment in Japan are attributable to a decrease in the working population due to a decrease in the population. The impact of this is already causing difficulties in securing operational personnel and increasing procurement costs for materials and construction supplies. Securing operational personnel is a particularly serious issue, and it continues to be difficult to respond in a timely manner. Continuous and strategic measures are urgently needed.

Looking back on the business environment in FY2024, the most troubling aspect was the Chinese economy and the trend of Chinese manufacturers, which were crucial issues that could not be overlooked.

In the Titanium Business, demand for titanium sponge for export remained strong despite the impact of strikes and quality issues at major U.S. aircraft manufacturers in the aircraft industry. The overall business also recorded year-on-year growth in both sales and profit. On the other hand, sales for general industrial applications declined from the previous fiscal year due to the impact of overproduction by Chinese manufacturers. The overproduction is due to the economic downturn and sluggish demand in China.

The Catalyst Business also suffered from overproduction by Chinese manufacturers. Against the backdrop of sluggish domestic demand in China, competitively priced polypropylene made in China has been distributed to neighboring countries, causing sales to our customers to stagnate. On the other hand, as signs of recovery appeared among customers in other regions, the overall business was able to secure year-on-year growth in both sales and profit; however, challenges remained throughout the year.

In the Chemicals Business, demand for ultra-fine nickel powder, a mainstay product, increased year on year. Demand for multilayer ceramic capacitors (MLCC), the main application of ultra-fine nickel powder, had plateaued due to economic stagnation in China, but currently signs of recovery are beginning to be seen. However, profit decreased from the previous year. The main reasons for this were a decline in sales prices due to the decline in international nickel prices (LME [London Metal Exchange] prices), and production adjustments by suspending operations at each of our ultra-fine nickel powder plants for up to 3 months to eliminate excess inventories.

03 —

Progress of Medium-term Management Plan and future prospects

Shift to a policy that emphasizes quality over quantity amid China’s continued overproduction

Although we are currently facing various challenges, product demand in our three major businesses is expected to remain firm over the medium to long term and continue to increase. At the same time, we have a strong sense of crisis in business management and recognize the need for

continuous improvement. We are gradually responding to the various concerns raised by the sluggish Chinese economy, and we are beginning to see signs of recovery in sales. However, overproduction by Chinese manufacturers is expected to continue for the foreseeable future, and optimism is still not warranted. In addition, it is expected that our Group’s products will be increasingly and visibly matched with competing Chinese products.

To overcome this competition, it is essential to clearly establish a policy that emphasizes quality over quantity. In addition to the need to focus even more on the development of high value-added products, we recognize that the most important task is to review inexpensive general-purpose products and unprofitable items, and to build a business promotion system that thoroughly competes with high value-added products. We will not be able to reliably capture medium- to long-term business opportunities unless we build a solid structure. In order to achieve efficient production, we strongly believe that it is important to establish a system that can respond more flexibly.

Our Group is currently working on the FY2023-2025 Medium-term Management Plan as an action plan to catch up with our Vision for 2030. We are facing a major challenge in achieving our quantitative targets due to the large gap between our business environment and that envisioned at the time of planning. However, we intend to increase the achievement rate of our three-year cumulative profit target without withdrawing our stated targets.

In the Titanium Business, we will focus on increasing our production capacity for titanium sponge for aircraft, where we expect strong demand to continue. On the other hand, in the field of general industrial applications, which are facing strong pressure from Chinese manufacturers, we aim to convert our business into a highly profitable one by securing overall sales volume and increasing the ratio of high value-added products, while holding down production. In addition, we aim to expand sales of high-purity titanium for semiconductors to JX Advanced Metals Corporation, the parent company. Our Group will make every effort to establish a solid position in the semiconductor target material supply chains, as JX Advanced Metals Corporation focuses on the semiconductor-related business.

On the production side, we have to strengthen the maintenance of facilities at the aging Chigasaki Plant. The plant repeatedly experienced operating losses due to facility problems, and the strengthening of the facility has become an urgent issue.

In the Catalyst Business as well, we will take measures to counter the aggressive efforts of Chinese manufacturers that offer low prices. Specifically, with a strong focus on high-quality polypropylene, we will work to expand sales of new high-performance catalysts and develop even higher-level catalysts.

In the Chemicals Business, we will further expand our sales share of ultra-fine nickel powder for MLCC, our main product, leveraging the start of operations at Wakamatsu Plant No. 5, which was completed in FY2025. In addition, we intend to devote our energies to developing high-end

products for the next generation. In the New Materials Business, JX Advanced Metals Corporation, the parent company, expanded production facilities for materials for next-generation semiconductors on the premises of our Chigasaki Plant. We intend to expand our business in cooperation with JX Advanced Metals Corporation. As for WEBTi® (porous titanium sheet), which is expected to be used in green hydrogen production equipment, we plan to start mass production in 2026 and develop markets globally to contribute to carbon neutrality. To reiterate, our Group needs to promote strategic initiatives that emphasize quality over quantity in order to counter China’s increasing influence in the future. We intend to make this an important theme in our next Medium-term Management Plan, which will be launched in FY2026. The development of new metal powders by the New Materials Division is particularly important and has the potential to become a next-generation growth driver following the three major businesses. This could also be an important theme in the next medium-term management plan.

In light of our strategy to shift to quality over quantity, we need to review our approach to strategic investment. Currently, in our Group’s business portfolio, the Titanium Business and the Catalyst Business are positioned as “cash cow businesses” that generate relatively stable cash flows. In these 2 businesses, it is important to continue making necessary investments to maintain stable cash flows based on the concept of quality over quantity. At the same time, in order to create a new revenue stream for the next generation, we believe it is necessary to allocate the cash flow generated to future strategic investments, such as the development of metal powder. In the next Medium-term Management Plan, we will revise our investment strategy and more clearly delineate our growth strategy.

04 —

Strengthening governance and empowering human resources

Surviving times of rapid change by strengthening governance and maximizing human resources

In order to strengthen our business for the future, it is essential to maintain a strong governance structure. We have been working to enhance the diversity of the Board of Directors, and starting in FY2024, we have increased the ratio of independent outside directors to half of all directors. As a result of these efforts, opinions from diverse perspectives have been actively exchanged and the quality of discussions at the Board of Directors has improved. As a result, the strengthening of the functions of the Board of Directors seems to have the effect of supporting business promotion of the business executive division. The decision to withdraw from a business by Toho Material Co., Ltd. and the establishment of an efficient management system for Toho Technical Service Co., Ltd., which had

been pending for many years, were also realized after in-depth discussions at the Board of Directors. In addition to strengthening the functions of the Board of Directors, we are continuously working to strengthen our internal control and risk management systems and actively promote information disclosure. As a result of these efforts, I feel that external confidence in our Group’s organizational capabilities is steadily increasing. In March 2025, our parent company, JX Advanced Metals Corporation, was listed on the Prime Market of the Tokyo Stock Exchange. Some investors have voiced concerns about the adverse effects of the so-called parent-subsidiary listing. From a management perspective, transactions between our Group and JX Advanced Metals Corporation account for only approximately 3% of the total, and the intentions of the parent company do not have a major impact on our company’s management. However, how the parent company manages its business portfolio and positions its capital relationship with our Group is left to the management of the parent company. In any event, we are confident that, under the robust governance framework our Group has established, no decisions will be made that would compromise the interests of minority shareholders. As I mentioned at the beginning, the key to our future growth is to improve our capabilities as a Group. Without well-trained human resources, it is difficult to build an organization that can respond flexibly to changes in the environment. In times of uncertainty, the presence of a lot of human resources with diverse experiences and flexible ideas within the Company makes it possible for organizations to respond flexibly. In addition, with the increasing mobility of human resources in society as a whole, a decline in the employment retention rate is an important issue for companies. Over the past few years, our Group has also been strengthening measures aimed at raising the motivation of each employee and fostering corporate loyalty. For example, out of consideration to factory workers, we are actively holding various events at production sites other than the Chigasaki Plant to enhance employee welfare. Because the Chigasaki Plant has played a central role in our Group since its founding, there has been a deep-rooted “gap in awareness” with other plants. This has become a challenge in fostering a sense of unity within the organization. We believe that these unconscious disparity are extremely important issues for factory workers, and we have been making improvements on an individual basis to correct the situation so far. As a result, the annual employee satisfaction survey shows an improvement in satisfaction. On the other hand, in terms of organizational management, the negative effects of the siloed structure still remain, and the situation has not yet reached a satisfactory level. In FY2025, our group launched the Human Resources SHINKA Project to strengthen its human resources. The term “SHINKA” has 2 meanings: “evolution” and “true value.” Our policy is to define the “ideal form” of human resources measures in which “human resources” can exert the most power, and then to develop concrete measures to bridge the gap with the current situation.



05 —

Coexistence and co-prosperity with society

Continued environmental and social contributions earn trust in corporate activities

Contributing to the resolution of environmental issues is one of our social responsibilities as a global company. At the same time, as a supplier of materials to many industries, our Group sees this as an important business opportunity that can help our business partners resolve social issues.

In order to realize a carbon-neutral society, we recognize that in addition to the reduction of CO₂ emissions under Scope 1 and Scope 2, which we are currently working on, the reduction of emissions under Scope 3, which is a major source of emissions, is a major challenge going forward. Our Group is also working to expand business opportunities by supporting companies working to realize a carbon-neutral society. Specifically, we are developing a mass production system for WEBTi[®] mentioned earlier, and LLTO[™] (Li-ion conducting ceramics) that is expected to contribute to the recycling of lithium resources. By actively developing such environmentally friendly products, we intend to contribute to reducing the environmental impact of society as a whole while increasing corporate value.

Our Group also recognizes that contributing to local communities is an important mission and is actively engaged in it. Specifically, we are involved in supporting activities by providing places for interaction mainly at each of our production sites, including cleanup activities in each region, cooperation with local events, promotion of volunteer activities, support for the promotion of school soccer by our soccer club, and sponsorship of local professional sports teams and orchestras. These efforts are the expression of our desire to give back to the local community. At the same time, we believe that gaining understanding and trust in our corporate activities will lead to an increase in our Group's corporate value in the long run.

06 —

To our stakeholders

Shift to quality-oriented management to improve capital efficiency and increase corporate value

Our Group strongly recognizes that a stable management foundation and sustainable business growth are essential to earning the trust of all stakeholders involved in its management and business. To this end, our Group will strive to maximize its corporate value by creating synergies and diversifying risks through a diversified business portfolio

with the aim of realizing the “conglomerate premium” that was previously mentioned.

As a materials manufacturer, we believe that excessive reliance on specific businesses entails significant management risks, given the risk of material substitution through technological innovation. For this reason, our Group places emphasis on the management of its business portfolio to ensure a stable earnings base and to invest in future growth.

Specifically, we aim to generate stable cash flow through the Titanium Business, which provides high-quality and high-purity titanium products, and the Catalyst Business, which provides high-performance catalysts. We envision actively allocating those resources to future growth areas, including the Chemicals Division, New Materials Division, and commercialization of metal powder being developed by the Technology Strategy Headquarters.

Of course, while investing funds in such strategic investments, we will give due consideration to continuing to improve the working conditions of employees and actively returning profits to shareholders. Our policy is to pay dividends to shareholders based on a consolidated dividend payout ratio of 30-35% or at least 2% of consolidated net assets, whichever is higher. We aim to increase corporate value and provide stable and sustainable returns to shareholders.

As part of our efforts to increase corporate value, we are also keenly aware of the need to improve the capital efficiency of each business. To this end, we intend to further evolve management that emphasizes ROIC (Return on Invested Capital). Regrettably, ROIC remained low in both FY2023 and FY2024. The main factor was the sluggish performance of the Catalyst and Chemicals Businesses, but the ROIC of the Titanium Business was also not satisfactory. In the Catalyst and Chemicals Businesses, we will work to improve profitability by addressing unprofitable items, and improve capital efficiency in both businesses by reducing inventories through optimal stock level management. In the Titanium Business, we believe that we must address the aging of the Chigasaki Plant, which is facing increasing maintenance costs, and at the same time set the direction for further efficiency improvement of the entire production base over the long term.

I hope you will look forward to our Group's efforts to transform its business into one that emphasizes “quality over quantity” and continue to take on challenges in anticipation of new business possibilities.